

WILL MACHINE LEARNING EAT THE WORLD?



The **5** Minute
Digital-First Question
Countdown



Transcript

The Answer

This is a riff off of Marc Andreessen's famous 2011 newsletter explaining "Why Software is Eating the World." You might argue this is pretty much the same question, but I think it adds a nuisance that is additive to Mr. Andreessen's point. In that newsletter back in 2011, he wrote; "More and more major businesses and industries are being run on software and delivered as online services." I would argue that in 2023, more and more major businesses and industries are being run on machine learning and delivered as cloud services.

In our own research one of the more relevant insights is around the type of tasks our case study companies are applying machine learning to in terms of both front-office and back-office processes. For example at Spotify, the streaming giant, they apply machine learning to:

- Personalize the experience for each of their 500+ million streaming customers with their Discoverability algorithms to make recommendations and generate personalized playlists.
- Calculate Customer Lifetime Value. Spotify uses machine learning to understand which content will increase or decrease Average Revenue per User or ARPU, and as Tony Jebara, their head of machine learning has said. "Our vision is to have it be the primary driver of all of our business decisions as it allows those decisions to be automated, personalized and scalable, something that wasn't possible before."

Lemonade, the insurance industry disruptor, use machine learning to:

- Deliver the entire front-end of their experience with three machine learning enabled chat bots: AI Maya to field questions and write new policies, AI Jim to handle Claims and CX.AI to handle service-related issues.
- Behind the scenes, their Customer Cortex applies machine learning to handle underwriting tasks, fraud detection and an application they call Cooper, streamlines processes like check processing and QA testing. It even leverages data from NASA satellites to identify wildfires in real-time to block ads and sales in the impacted areas.

And at Starbucks, an AI model called Deep Brew applies machine learning to personalize mobile offers. It captures order histories, customer location, and even your birthday. This data informs "nudges" to influence customer behavior with the goal to better match capacity to demand. For example, if the store you are visiting is really busy, it may suggest you prepay before arriving, or offer you a digital coupon for a simpler but similar beverage rather than your more complex personalized cappuccino. It also helps the company schedule staff based on demand, manage inventory levels and machine maintenance.

The point is, machine learning is no longer those people locked away in some room in IT that no one knows quite what they do. And it isn't just being used to improve customer-facing processes such as Agent Assisted AI. The confluence of edge-based computing and application networks are allowing machine learning to take whole points of operating margin out of the expense line and return those dollars to shareholders.

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The current hype around ChatGPT and Google's new generative AI chatbot called Bard is helpful in that it brings what is possible when AI and machine learning are applied to general knowledge. But don't confuse this with the power of enterprise-grade machine learning applications that can reinvent how you have done business for years, and introduce step-change improvements in accuracy, cycle-times and quality.

Implications

The implications of this digital-first question are perhaps the most relevant of them all, because what we are seeing, is a trend toward machine learning being applied to more and more core processes in organizations than ever before. What does this mean for you? Well, if your competitive set includes companies with greater expertise in applying this technology to reduce operating costs, decrease delivery cycles or manage inventory turns with more efficiency - well, you could find yourself at a significant competitive vulnerability.

3 Takeaways

Three takeaways from this digital-first question include:

1. **Do some benchmarking.** Don't wait to find out your toughest competitor has streamed their order-to-cash process with machine learning and increased on-time receivables by 19%. Find out what is cooking and where you might have some competitive vulnerabilities.
2. **Get educated.** CEMEX, one of our case study companies took their top 100 leaders and put them through a 5-day intensive program at MIT prior to launching their digital transformation.
3. **Re-think your hiring plan.** How many of your current employees are versed in AI and machine learning toolsets? Find out and start closing those gaps.

That's a wrap! Please view this and other 5-minute videos on our Video Channel at cxdigital.ai